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**FEDERAL ELECTION COMMISSION**

999 E Street, N.W.  
Washington, D.C. 20463

2004 AUG 31 A 11:48

**FIRST GENERAL COUNSEL'S REPORT**

**SENSITIVE**

MUR: 5386

DATE RECEIVED: September 4, 2003

DATE ACTIVATED: March 8, 2004

EXPIRATION OF STATUTE OF

LIMITATIONS: September 26, 2005<sup>1</sup>

COMPLAINANT:

Mark Sassman

RESPONDENTS:

Machinists Non Partisan Political League  
International Association of Machinists Local  
Lodge 1487  
International Association of Machinists and  
Aerospace Workers District Lodge 141-M

RELEVANT STATUTES:

2 U.S.C. § 441a  
2 U.S.C. § 441b  
2 U.S.C. § 441f  
11 C.F.R. § 100.5(g)  
11 C.F.R. § 102.5(a)  
11 C.F.R. § 104.3  
11 C.F.R. § 110.4(b)(1)(iii)  
11 C.F.R. § 114.5(b)  
11 C.F.R. § 102.6(b)

INTERNAL REPORTS CHECKED:

Disclosure reports; Commission indices

FEDERAL AGENCIES CHECKED:

None

<sup>1</sup> The statute of limitations ("SOL") date listed in CMS is September 26, 2005, which is five years from the Second Annual Convention at which the delegates voted to donate the convention registration fees to the Machinists Non Partisan Political League ("MNPL"). However, information in the Complaint indicates that the practice of donating registration fees to the MNPL may have occurred both prior and subsequent to the convention chronicled in the Complaint.

**I. INTRODUCTION**

The Complaint in this matter alleged that in 2000, delegates to an International Association of Machinists and Aerospace Workers ("IAM") district convention in Cleveland, Ohio voted to donate their registration fees to the IAM's separate segregated fund, the Machinist Non Partisan Political League ("MNPL") and that the delegates from at least two of the local unions were later reimbursed for their registration fees from union funds. The Complainant concludes that this violated 2 U.S.C. § 441b and 11 C.F.R. § 110.4 because the donations to MNPL were actually paid out of IAM member dues. Based on the limited information currently available, this Office is recommending that the Commission make reason to believe findings to open an investigation and authorize formal discovery in this matter.

**II. FACTUAL AND LEGAL ANALYSIS**

**A. FACTS**

International Association of Machinists and Aerospace Workers ("IAM") represents 730,000 members across North America and currently administers 5,000 collective bargaining agreements for its members working in government, as well as the aerospace and transportation industries. IAMAW District Lodge 141-M and Local Lodge 1487 are labor organizations affiliated with the IAM. The Machinist Non Partisan Political League ("MNPL") is the federal separate segregated fund of IAM. On September 27, 2000, the International Association of Machinists and Aerospace Workers, District Lodge 141-M Airline Employees (IAMAW District Lodge 141-M) held their Second Annual Convention in Cleveland, Ohio. As part of that convention, the delegates voted to donate the convention registration fees to the MNPL. According to the transcript attached to the Complaint, this vote was "in keeping with the past tradition."

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1 The Complainant alleges that the delegates who attended the Second Annual Convention  
2 were later reimbursed by their local lodges. If true, the donations made in the names of the  
3 individual delegates would actually have been paid out of IAM member dues, a violation of  
4 11 C.F.R. § 110.4. However, the Complainant provides no evidentiary support of any alleged  
5 reimbursement. The three-sentence response filed on behalf of MNPL, District Lodge 141-M  
6 and Local Lodge 1487 does not directly deny the reimbursement allegations. Rather, the  
7 response states the following: "Consistent with federal law, the policies of the IAM and MNPL  
8 prohibit transfer of general treasury (dues based) monies to the MNPL account which makes  
9 contributions and expenditures in connection with federal elections." Although this statement  
10 confirms knowledge of the law by both IAM and MNPL, it does not verify that a prohibited  
11 transfer of funds was not made in the form of reimbursement to convention delegates. MNPL  
12 reports \$13,679 in unitemized contributions during September 2000, the month of the convention  
13 at issue.

14 **B. ANALYSIS**

15 The Federal Election Campaign Act of 1971, as amended, ("the Act"), prohibits labor  
16 organizations from making contributions or expenditures in connection with federal elections.  
17 2 U.S.C. § 441b(a). Labor organizations may establish and administer separate segregated funds  
18 for political purposes and to solicit contributions to those funds from members and their families.  
19 2 U.S.C. §§ 441b(b)(2)(C) and 441b(b)(4)(A)(ii). A separate segregated fund may make  
20 contributions to and expenditures on behalf of federal candidates and other committees.<sup>2</sup> As a

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<sup>2</sup> Pursuant to 2 U.S.C. § 441a(a)(5), "all contributions made by political committees established or financed or maintained or controlled by any . . . labor organization, or any other person, including any parent, subsidiary, branch, division, department, or local unit of such labor organization, or any other person, shall be considered to have been made by a single political committee. In any case in which a labor organization and any of its . . . local units establish or finance or maintain or control more than one separate segregated fund, all such

1 separate segregated fund (SSF), MNPL is permitted to make federal political contributions.

2 However, these contributions must be made with permissible funds.<sup>3</sup>

3 The Act provides that no person shall make a contribution in the name of another person  
4 or knowingly permit his or her name to be used to effect such a contribution, and that no person  
5 shall knowingly accept a contribution made by one person in the name of another person.

6 2 U.S.C. § 441f.

7 Neither IMAW District Lodge 141-M nor Local Lodge 1487 may use its general  
8 treasury funds to make contributions to MNPL. 2 U.S.C. § 441b. Further, they may not  
9 reimburse members for convention registration fees contributed to MNPL. 2 U.S.C. § 441f.

10 MNPL, its treasurer, IMAW District Lodge 141-M, and Local Lodge 1487 are all  
11 represented by the same counsel, who filed a three-sentence response on behalf of the  
12 Respondents. The response indicates that "the policies of the IAM and MNPL prohibit transfer  
13 of general treasury (dues based) monies to the MNPL account which makes contributions and  
14 expenditures in connection with federal elections." This response seems to indicate knowledge  
15 of the law with respect to an SSF such as the MNPL. However, it does not explain the transcript

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separate segregated funds shall be treated as a single separate segregated fund for purposes of the limitations" established at 2 U.S.C. § 441a(a)(1) and (2). The definitions of "affiliated committee" at 11 C.F.R. § 100.5(g) include "[a]ll committees (including a separate segregated fund . . .) established, financed, maintained or controlled by the same . . . labor organization, person, or group of persons . . ., including any . . . local unit thereof . . ." 11 C.F.R. § 100.5(g)(2). Thus, affiliated labor organization committees share a single contribution limit 11 C.F.R. § 100.5(g)(3).

<sup>3</sup> Political committees which finance activity in connection with both federal and non-federal elections must either establish separate federal and non-federal accounts or "receive only contributions subject to the limitations and prohibitions of the Act." 11 C.F.R. § 102.5(a). If a committee elects to establish separate accounts, only permissible funds may be deposited into the federal account, and "all disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account." 11 C.F.R. § 102.5(a)(1)(i). Pursuant to 11 C.F.R. § 102.6(a)(1)(i), "[t]ransfers of funds may be made without limit on amount between affiliated committees whether or not they are political committees under 11 C.F.R. § 100.5." Transfers between affiliated committees may, however, be made only with permissible funds. 11 C.F.R. § 102.6(a)(1)(iv). Such transfers are to be reported by both the transferring and the recipient committees. 11 C.F.R. § 104.3(a)(4)(iii)(B) and § 104.3(b)(1)(ii).

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1 of the Second Annual Convention of IMAW District Lodge 141-M attached to the Complaint  
2 which clearly states that the convention registration fees were donated to the MNPL or respond  
3 to the Complainant's allegation about reimbursement being made with union funds. It is unclear  
4 if the convention registration fees were not part of the general treasury fund of IMAW District  
5 Lodge 141-M, a point which was not directly addressed by the Respondents.

6 There is no indication of the scope of the donation to the MNPL by the convention  
7 delegates, although it appears that there were at least 200 delegates at the 2000 IMAW District  
8 convention. There may be a long-standing practice with respect to delegates voting to donate  
9 convention registration fees to the MNPL, as the transcript from the Second Annual Convention  
10 notes that the donation to the MNPL of convention registration fees was made "in keeping with  
11 the past tradition." Indeed, the Complainant indicates that similar donations of registration fees  
12 may have occurred at "Grand Lodge Conventions, and IAM seminars and training classes."  
13 Thus, even if the convention registration fee was relatively small, that number would grow  
14 exponentially when multiplied by the number of delegates present and the number of functions at  
15 which the delegates voted to donate registration fees to the MNPL.

16 A connected organization, such as Local Lodge 1487, may not reimburse individuals who  
17 make contributions to an SSF such as MNPL. 2 U.S.C. § 441f; 11 C.F.R. 114.5(b)(1); *see also*  
18 AO 1986-41. Therefore, if the convention delegates were reimbursed by their local union for the  
19 donation of the convention registration fees, this would result in a prohibited contribution.  
20 Although the Complainant did not provide any supporting documentation regarding this  
21 allegation, the response neither addresses nor denies reimbursement of the convention  
22 registration fees by the local union, and this Office has no evidence at this time that it is untrue.

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Based on the Complaint and the supporting documentation, it appears that IAMAW District Lodge 141-M and Local Lodge 1487 used their general treasury funds to make contributions to MNPL. IAMAW District Lodge 141-M did so by allowing its delegates to donate the convention registration fees to the MNPL. Local Lodge 1487 accomplished this by reimbursing the convention delegates for the donated convention registration fees. Therefore, this Office recommends the Commission find reason to believe that MNPL, IAMAW District Lodge 141-M and Local Lodge 1487 violated 2 U.S.C. § 441b, 441f and 11 C.F.R. § 110.4.

**III. INVESTIGATION**

**IV. RECOMMENDATIONS**

1. Find reason to believe that MNPL, IAMAW District Lodge 141-M and Local Lodge 1487 violated 2 U.S.C. § 441b and 11 C.F.R. § 110.4;
2. Find reason to believe that IAMAW District Lodge 141-M, Local Lodge 1487 and MNPL violated 2 U.S.C. § 441f and 11 C.F.R. § 102.6;
3. Approve the appropriate Factual and Legal Analyses;


4.

5. Approve the appropriate letters.

Lawrence H. Norton  
General Counsel

Rhonda J. Vosdingh  
Associate General Counsel

BY:



Mark D. Shonkwiler  
Assistant General Counsel



April J. Sands  
Attorney

Date:

8/31/04

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